



Gas Supply Presentation
to
ICC Gas Policy Committee

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Ameren Natural Gas Strategy

Winter 2005/2006

- AmerenCILCO
- AmerenCIPS
- AmerenIP

Presentation Indicative of Other Illinois Utilities:

- NICOR
- Peoples Gas
- North Shore
- MidAmerican

Current Market Conditions

- Winter 2005/2006 NYMEX Strip \$13.25
- Summer 2006 NYMEX Strip \$10.87
- Winter 2006/2007 NYMEX Strip \$11.88
NYMEX 12-7-05 close
- Prior Winter of 2004/2005 NYMEX Close \$6.88
- Continued Price Volatility:
 - Price swings of \$2.50/MMBtu in single day
 - Price swings of \$0.80/MMBtu in ONE HOUR

Factors Driving North American Gas Markets

- Crude Oil Prices at \$60 per Barrel Compared to \$42 a Year Ago
- Extremely Tight Supply/Demand Balance Continues Despite Considerable Demand Destruction
- Financial Markets (Hedge funds, Index Funds, Speculators) Pouring Billions into Natural Gas Futures
- Flat to Declining U.S. Production and Stagnant Canadian Imports
- Most Active Hurricane Season in Decades
- Unprecedented Destruction from Hurricanes Katrina & Rita

Remaining Impacts of Hurricanes Katrina & Rita

- Back-to-Back Hurricanes Caused Extensive Damage to gas production and processing facilities.
- Louisiana Gulf Coast corridor stricken by Katrina & Rita provides 10 Bcf/d of total US production.
- Immediately after Katrina hit 7.8 Bcf/d or 78% of Gulf of Mexico production was shut in.
- Immediately after Rita hit 8.5 Bcf/d or 85% of Gulf of Mexico production was shut in.
- Currently 2.5 Bcf/d is shut in, or 25% of Gulf of Mexico production.
- Cumulative Gulf of Mexico gas shut in this year is 514 BCF.
- Approximately 5 Bcf/d of processing capacity is still affected.
- Prices hit needle peak of \$16 MMBtu/d or \$1.60 per therm.

High Gas Prices and Potential for Spot Market Shortages will Exist for Several Years or More Until...

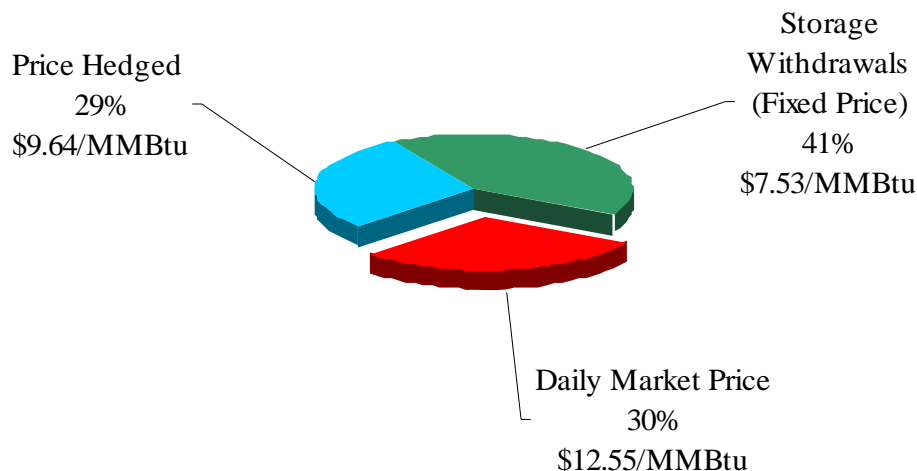
- Federal and State Regulations Allow for Gas Exploration on Restricted Lands
- Alaskan Pipeline to Lower 48 and Open ANWR
- Proposed LNG facilities come on-line in 2007 and beyond
- Development of Coal Gasification Plants

Current Storage Inventories

- Minimal Impacts to Storage Injections from Hurricanes Katrina & Rita
- System Storage at 95% of Maximum Storage Quantity as of October 31st.
- Storage Injections Continued through November 15th as Planned
- Inventories were at Maximum Planned Operating Levels at the Start of the Winter

Ameren Illinois LDCs

Current Gas Supply Position for Winter 2005/2006



Approximately 70% of the demand for a normal winter is price hedged at \$8.40/MMBtu.

Summary of December PGAs

- For Illinois LDCs December PGAs range from \$1.0036/therm to \$1.1386/therm.
- Reflects a fairly close range of 13.5 cents/therm or \$1.35/MMBtu.

Summary

- Natural Gas Markets are Extremely Volatile and this Winter will be the Most Challenging for the Industry
- Ameren's Gas Supply Acquisition & Price Hedging Program is complete for this Winter.
- Price Hedging Goal is a Stable PGA and Reduced Price Volatility, not Lowest Price
- Hedged Portfolios are Expected to be 24% to 30% Lower than Market Prices this Winter
- There is Additional PGA Price Risk if Natural Gas Markets Remain Above \$12.00/MMBtu and Winter is Colder than Normal
- Prices are high this Winter but LDC Supply is Firm and Reliable.
- Illinois Utilities are Pursuing Long-term Strategic Projects to Access New Gas Supplies (coal gasification, Rockies interstate pipelines, & LNG)